

**MINUTES OF THE
TAX REFORM TASK FORCE**

Thursday, September 15, 2005 – 8:00 a.m. – Room W135 House Building

Members Present:

Rep. Wayne A. Harper, House Chair
Sen. Curtis S. Bramble, Senate Chair
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Ralph Becker
Rep. John Dougall
Rep. Gregory H. Hughes
Rep. Rosalind J. McGee
Rep. Merlynn T. Newbold
Rep. Gordon E. Snow
Rep. Stephen H. Urquhart
Mr. Neil H. Ashdown
Comm. Pam R. Hendrickson

Members Absent:

Sen. Mike Dmitrich
Rep. Todd E. Kiser

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Task Force Business

Chair Bramble called the meeting to order at 8:26 a.m.

2. Amendments to the State Individual Income Tax

Mr. David Spackman, private citizen, expressed concern about the complexity of the state's tax code. He said that the code should be simple, fair, and equitable. He explained that a flat tax with no deductions would simplify the code and that he favors eliminating the sales tax.

Mr. Chris Jones, Chris Jones Group and the Lehi Chamber of Commerce, said that the complexity of the state's tax code hides tax increases. He explained that the complexity of the code and the many deductions create loopholes and enables the government to hide an increase in taxes by shifting deductions and marginal rates. He explained that our current tax code hinders small business by making it necessary for them to get legal advice to file their taxes. He said one-third to one-half of his clients do not claim the mortgage interest deduction.

Mr. Mike Ostermiller, Utah Association of Realtors, spoke in opposition to a flat tax. He explained that he believes the state's tax policy reflects the state's priorities. He explained that housing is a basic need and that every person wants to own a home. He said that the state needs to encourage citizens to own a home. He said that home ownership lowers crime, beautifies the state, increases quality of life, and that homes are a major source of wealth. He said that lower income citizens would be hurt by a flat tax and that the effect on rural communities is unknown.

Mr. John Butler, Parsons Behle & Latimer, representing The Church of Jesus Christ of Latter-Day Saints, spoke to the Task Force. He said the Church supports retaining a tax deduction for charitable

giving. He said the community is best served by allowing deductions for charitable giving. He explained that contributions help the needy, the arts, tuition, and support the end of suffering and violence. He explained the importance of keeping an incentive to contribute.

Ms. Laura Polacheck, AARP Utah, spoke to the Task Force. She explained her support of a system that exempts basic necessities. She said services should be taxed because higher income households consume most services. She explained that deductions for retirement income are also important.

Ms. Diane Hartz Warsoff, Utah Non-Profits Association, expressed the importance of maintaining a deduction for charitable contributions to nonprofit organizations.

Ms. Sarah Wilhelm, Utah Issues, distributed and discussed "Adding Unfairness to an Already Unfair Tax System." She explained that many low income households do not file state income tax returns and that a flat tax would force them to file. She explained that the state needs a proportional state and local tax system. She explained two possible options for a flat tax: 1) as a percentage of federal income tax or 2) on adjusted gross income with an exemption for income below the poverty level and a graduated rate structure.

Mr. Tom Love, United Way, and Mr. Steve Bentley, United Way of Utah County, said that a simple tax system is good and that a flat income tax would increase taxes for poor Utahns. They expressed concern that the poorest will pay the most and they explained the importance to encourage giving.

Ms. Lynn Ward, UESP (Utah Educational Savings Plan), spoke against the flat tax. She explained that UESP's purpose is to make higher education more accessible, create an incentive to attend college, and reduce reliance on student loans. She explained that UESP is able to attract more Utah residents because of the state tax deduction offered to Utah residents who contribute. She explained that if the state adopts a flat tax, UESP will have fewer contributors from Utah.

Mr. Bill Erickson, Utah Housing Finance Agency, spoke in favor of retaining the low income housing credit.

Mr. Glen Lanham, Utah Symphony and Opera, spoke against the flat tax proposal. He expressed the importance of keeping the deduction for charitable contributions.

Mr. Mike Jerman, Utah Taxpayers Association, distributed and discussed "Utah Taxpayers Association Flat Tax Proposal." He explained that a tax system with a broad base and a low rate would increase economic growth.

Mr. Douglas Macdonald, Chief Economist, Utah State Tax Commission, clarified several points for the Task Force.

MOTION: Sen. Stephenson moved that the Tax Reform Task Force meet on September 26, 2005 and receive presentations on the effects that the different individual income tax proposals have on various

income groups. The motion passed with Rep. Becker voting in opposition and Rep. Urquhart absent for the vote.

MOTION: Rep. Dougall moved to move the Tax Reform Task Force meeting on October 17, 2005 to October 12, 2005. The motion passed unanimously with Rep. Urquhart absent for the vote.

3. Report and Recommendations from the Property Tax Working Group

Rep. Snow introduced this item.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Requirements of Property Tax Increase Advertisement" and 2006 General Session draft legislation "Advertising Property Tax Increases."

The Utah Association of Counties distributed "Notice of Proposed Tax Increase."

The Utah Taxpayers Association distributed "Utah Taxpayers Association Proposal."

MOTION: Rep. Dougall moved to adopt "Utah Taxpayers Association Proposal," which was provided by the Utah Taxpayers Association.

The motion was withdrawn.

Mr. Karl Hendrickson, Utah Association of Counties, spoke to the Task Force. He said a working group that seeking to modifying the notice of property tax increase could not reach a consensus. He explained that the working group recommends eliminating references to a percentage increase because it is too confusing to the public.

Mr. Roger Tew, Utah League of Cities and Towns, agreed with Mr. Hendrickson.

MOTION: Pres. Valentine moved to continue this discussion at the next meeting and to proceed to the next agenda item. The motion passed unanimously with Rep. Hughes and Rep. Urquhart absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Property Tax - Certified Rate Adjustment."

Mr. Roger Tew, Utah League of Cities and Towns, spoke in favor of the draft legislation. He explained that one of the reasons cities are relying more on sales tax is because the truth in taxation process is time consuming and costly.

Mr. Mark Anderson, Utah Association of Special Districts, explained that districts on a calendar year budget have to go through the truth in taxation process twice, which hurts their already small budgets.

Mr. Mike Jerman, Utah Taxpayers Association, distributed and discussed "School Property Taxes."

Sen. Stephenson commented that an inflation increase is now included in the valuation of centrally assessed property.

MOTION: Rep. Dougall moved to proceed to the next agenda item. The motion passed with Rep. Becker and Rep. McGee voting in opposition and Rep. Urquhart absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Voted Leeway Amendments."

Mr. Larry Newton, State Office of Education, clarified that some districts have sought a public vote on a total amount in their public hearings, but promised to only increase the amount guaranteed each year, which was an incremental increase.

MOTION: Rep. Snow moved to proceed to the next agenda item. The motion passed unanimously with Rep. Becker and Rep. Urquhart absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Residential Property Tax Exemption."

MOTION: Pres. Valentine moved to table 2006 General Session draft legislation "Residential Property Tax Exemption." The motion passed unanimously with Rep. Becker and Rep. Urquhart absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Resolution Regarding Property Tax on Personal Property."

MOTION: Sen. Stephenson moved that 2006 General Session draft legislation "Resolution Regarding Property Tax on Personal Property" be reviewed at the public hearings. The motion passed with Rep. Becker and Rep. McGee voting in opposition and Rep. Urquhart absent for the vote.

4. Other Items / Adjourn

MOTION: Rep. Dougall moved to adjourn the meeting. The motion passed unanimously with Rep. Urquhart absent for the vote.

Chair Bramble adjourned the meeting at 1:18 p.m.